| | | |
|---|---|---|
| STATE OF INDIANA | ) | BEFORE THE INDIANA |
| | ) SS: | |
| COUNTY OF MARION | ) | COMMISSIONER OF INSURANCE |

IN THE MATTER OF: )
)
Reassure America Life Insurance Company )
1700 Magnavox Way )
Fort Wayne, Indiana 46804 )

Examination of Reassure America Life Insurance Company

## NOTICE OF ENTRY OF ORDER

Enclosed is the Final Order entered by Douglas Webber, Acting Commissioner of the Indiana Department of Insurance, after fully considering and reviewing the Verified Report of Examination of Reassure America Life Insurance Company, any relevant examination work papers, and any written submissions or rebuttals. The Verified Report of Examination, as amended by the Final Order, has been adopted by the Commissioner.

Pursuant to Ind. Code § 27-1-3.1-12(b), within thirty (30) days of receipt of the Final Order, each director of Reassure America Life Insurance Company shall file an affidavit with the Indiana Department of Insurance stating that he/she has received a copy of the Verified Report of Examination and the Final Order.

The Final Order is a final administrative decision that may be appealed pursuant to Ind. Code § 4-21.5-5.

June 15, 2010
Date

Connie Ridinger
Connie Ridinger, CPA, CFE
Chief Examiner/Deputy Commissioner

**CERTIFIED MAIL NUMBER: 7004 1160 0000 3839 2279**

| | | |
|---|---|---|
| STATE OF INDIANA | ) | BEFORE THE INDIANA |
| | ) SS: | |
| COUNTY OF MARION | ) | COMMISSIONER OF INSURANCE |

IN THE MATTER OF: )
)
Reassure America Life Insurance Company )
1700 Magnavox Way )
Fort Wayne, Indiana 46804 )

Examination of Reassure Life Insurance Company

**FINDINGS AND FINAL ORDER**

The Indiana Department of Insurance conducted an examination into the affairs of the Reassure America Life Insurance Company (hereinafter "Company") for the time period January 1, 2004 through December 31, 2008.

The Verified Report of Examination was filed with the Commissioner of the Department of Insurance (hereinafter "Commissioner") by the Examiner on 1/15/2009.

A copy of the Verified Report of Examination, along with a Notice of Opportunity to Make Written Submission or Rebuttal, was mailed to the Company via Certified Mail on May 26, 2010 and was received by the Company on May 28, 2010.

On June 9, 2010 pursuant to Ind. Code § 27-1-3.1-10, the Company filed a response to the Verified Report of Examination. The Commissioner has fully considered the Company's response.

NOW THEREFORE, based on the Verified Report of Examination and the response filed by the Company, the Commissioner hereby FINDS as follows:

1. The suggested modifications to the Verified Report of Examination submitted by the Company are reasonable and shall be incorporated into the Verified Examination Report. A copy of the Verified Report of Examination, as amended, is attached hereto.
2. The Verified Report of Examination, as amended, is true and accurate report of the financial condition and affairs of the Company as of December 31, 2008.

3. The Examiners' recommendations are reasonable and necessary in order for the Company to comply with the insurance laws of the state of Indiana.

Based on the FINDINGS, the Commissioner does hereby ORDER:

1. Pursuant to Ind. Code § 27-1-3.1-11(a)(1), the Verified Report of Examination is adopted and shall be filed. Hereafter the Verified Report of Examination, as amended, may constitute prima facie evidence of the facts contained therein in any action or proceeding taken by the Indiana Department of Insurance against the Company, its officers, directors, or agents.

2. The Company shall comply with the Examiner's Recommendations enumerated in summary form and throughout the text of the Verified Report of Examination, as amended. A written response to these recommendations should be provided to the Department within 30 days of receipt of this order.

3. Compliance with the Examiner's recommendations shall be completed on or before the filing of the subsequent annual statement. In the event it is not feasible to comply with a recommendation before the filing of the subsequent annual statement, the Company shall submit a written explanation as to why it was not feasible with the filing of the annual statement.

Doug Webber

Signed and Sealed this 15th day of June, 2009.

Douglas Webber
Acting Insurance Commissioner

# STATE OF INDIANA

## Department of Insurance

# REPORT OF EXAMINATION

# OF

## REASSURE AMERICA LIFE INSURANCE COMPANY

**NAIC CO. CODE 70211**

As of

December 31, 2008

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STATE OF INDIANA
MITCHELL E. DANIELS, JR., Governor

IDOI
INDIANA DEPARTMENT OF INSURANCE
311 W. WASHINGTON STREET, SUITE 300
INDIANAPOLIS, INDIANA 46204-2787
TELEPHONE: (317) 232-2385
FAX: (317) 232-5251

CAROL CUTTER, Commissioner

May 19, 2010

Honorable Alfred W. Gross
Chair, Financial Condition (E) Committee, NAIC
Commissioner of Insurance
Commonwealth of Virginia
1300 East Main Street
Richmond, Virginia 23219

Honorable Douglas Webber
Acting Commissioner
Indiana Department of Insurance
311 West Washington Street, Suite 300
Indianapolis, Indiana 46204-2787

Dear Commissioners:

Pursuant to the authority vested in Appointment Number 3591, an examination has been made of the affairs and financial condition of:

**Reassure America Life Insurance Company**
**1700 Magnavox Way**
**Fort Wayne, Indiana 46804**

hereinafter referred to as the "Company", an Indiana domestic insurance company. The examination was conducted at the corporate offices of the Company in Armonk, New York.

The Report of Examination, reflecting the status of the Company as of December 31, 2008, is hereby respectfully submitted.

## SCOPE OF EXAMINATION

The Company was last examined by representatives of Statutory Examination Resources as of December 31, 2003. The present risk-focused examination was conducted by Noble Consulting Services, Inc. (Noble) and covered the period from January 1, 2004 through December 31, 2008 and included any material transactions and/or events occurring subsequent to the examination date and noted during the course of this examination.

Jeffrey Beckley, FCAS, MAAA, of Actuarial Options, LLC, was appointed by the Indiana Department of Insurance (IDOI) and conducted a review of the Company's statutory reserves as of December 31, 2008. There were no actuarial adjustments or recommendations resulting from the review performed by Mr. Beckley.

We conducted our risk-focused examination pursuant to and in accordance with the 2009 NAIC Financial Condition Examiners Handbook (Handbook). The handbook requires that we plan and perform the examination to evaluate the financial condition and identify prospective risks of the Company by obtaining information about the Company including corporate governance, identifying and assessing inherent risks within the Company, and evaluating system controls and procedures used to mitigate those risks. An examination also includes assessing the principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation and management's compliance with Statutory Accounting Principles and annual statement instructions when applicable to domestic state regulations.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. The working papers prepared by PricewaterhouseCoopers, LLP, the Company's auditors, in their audit of the Company's accounts for the years under examination were reviewed. A portion of the auditor's working papers have been incorporated into the working papers of the Examiners and have been utilized for the purposes of this examination in accordance with the provisions contained in the Handbook.

## HISTORY

The Company is an Indiana domiciled insurance company and is a wholly-owned subsidiary of Swiss Re Life & Health America Inc. (SRLHA), which in turn is a wholly-owned indirect subsidiary of Swiss Reinsurance Company Ltd - Zurich (SRZ). The Company's principal wholly-owned insurance subsidiary is Aldgate Reinsurance Company Limited – Bermuda (Aldgate).

On September 30, 2007, the Company, an Illinois domiciled affiliate, was merged with and into Valley Forge Life Insurance Company (VFL), an Indiana domiciled affiliate, with VFL being the surviving entity to such merger. Immediately following the merger, VFL changed its name to Reassure America Life Insurance Company. The transaction was accounted for as a statutory merger.

The Company is licensed in all states (except New York), Guam, Puerto Rico, and Canada. The Company's primary business activity is based upon the SRZ business model entitled Admin Re®, which involves the acquisition of generally closed blocks of in-force life and health insurance, including term, whole, universal, corporate owned (COLI), disability income, and annuity contracts. The Company has obtained its Admin Re® business through purchases of life insurance companies and through indemnity coinsurance or assumption reinsurance agreements with ceding insurers. The Company typically assumes responsibility for policy administration for business obtained through these transactions, which it then outsources to third party administrators (TPA's).

## CAPITAL AND SURPLUS

As of December 31, 2008, the Company had 200,000 shares of common stock authorized with a par value of $50 per share, of which 50,000 shares were issued and outstanding. The Company has no preferred stock. Dividends paid by the Company during the examination period are presented below:

| Year | Dividends Paid |
|---|---|
| 2008 | $ 120,000,000 |
| 2007 | 290,000,000 |
| 2006 | 542,300,000 |
| 2005 | 583,100,000 |
| 2004 | - |

A portion of the above dividends for 2005 – 2007 were extraordinary dividends which were approved by the IDOI and were reported as a return of capital.

## TERRITORY AND PLAN OF OPERATION

The Company writes no new lines of business. The Company acquires companies and manages existing active policies. The Company's primary business is to provide financial protection to individuals through term life insurance, universal life insurance, annuities, and other products. SRZ's Admin Re® business model involves the acquisition of blocks of life insurance policies, either through acquisition of the capital stock of life insurance companies or through assumption reinsurance or coinsurance. Formerly, the Company and VFL ceased writing new policy applications in August 1999 and March 2004, respectively, after the announcement by SRLHA of their respective acquisitions. The Company outsources all policy administration functions to TPA's and maintains a multi-functional team to provide direction and oversight to such TPA's.

The TPA's that the Company utilizes include Alliance-One Services, Inc. (Alliance), a wholly-owned subsidiary of Computer Sciences Corporation (CSC), McCamish Systems, LLC (McCamish), and Transaction Application Group, Inc. (TAG). Alliance performs the majority of the Company's individual life and annuity policy administration and policyholder service functions through its offices in East Hartford, CT, Nashville, TN, Jacksonville, IL, and Irving, TX. McCamish, now an Infosys company is based in Atlanta, GA, and administers a large block of the Company's COLI policies. TAG, a subsidiary of Dell Systems, based in Lincoln, NE, administers a small block of the Company's individual life and annuity policies.

The Company's managerial and business support functions are conducted by SRLHA employees in various locations, including: Fort Wayne, IN; Dallas, TX; and Armonk, NY. The Company has a modeling system that tracks each individual reinsurance transaction over time versus the original modeling and forecasts. The Company compares actual results to these models on a monthly, quarterly, and annual basis. Monthly, Management and the TPA's produce a detailed report that evaluates detailed service level standards. The modeling system provides management with the information needed to make informed decisions for the Company.

In line with its business model, effective January 1, 2000, the Company entered into a 95% modified coinsurance (modco) agreement with Aurora National Life Assurance Company (Aurora). Additionally, the Company entered into a put and call agreement with Aurora, S.A. and AIG Retirement Services, Inc. (Formerly known as SunAmerica Inc.), collectively known as the "Sellers." The capital stock of New California Life Holdings, Inc. (NewCal), the parent company of Aurora, could be put to or called by the Company in order to affect the Company's acquisition of Aurora following the satisfaction of certain specified conditions, including the prior approval of the California Commissioner of Insurance. On September 19, 2008, the Company tendered its call notice to acquire control of Aurora and filed a Form A application with the California Department of Insurance. Following the acquisition of Aurora, it is anticipated that the Company will continue to provide reinsurance and administrative services to Aurora under the Modco Agreement.

## GROWTH OF THE COMPANY

The following exhibit depicts the growth of the Company during the examination period:

| Year | Admitted Assets | Liabilities | Capital & Surplus | Net Premiums | Net Income (Loss) |
|---|---|---|---|---|---|
| 2008 | $16,470,295,416 | $15,949,899,188 | $520,396,228 | $439,696,384 | ($50,198,324) |
| 2007 | 18,276,974,513 | 17,780,874,236 | 496,100,277 | 495,134,685 | 167,876,016 |
| 2006 | 4,464,294,037 | 4,003,091,443 | 461,202,594 | 283,061,757 | 161,071,873 |
| 2005 | 4,753,100,253 | 4,216,666,753 | 536,433,500 | 273,702,925 | 187,567,100 |
| 2004 | 3,185,965,567 | 2,632,514,525 | 553,451,042 | 275,368,391 | (166,559,644) |

The large variance in assets and liabilities between 2006 and 2007 was due to the merging of the Company and VFL in September 2007. The large decrease in assets from 2007 to 2008 was primarily due to the net outflow from operations of $429.3 million, non-cash realized losses on sales of investments of $203.6 million, and the June 2008 cash dividend payment of $120 million. This decrease in assets was partially offset by a capital contribution received in December 2008 of $225 million. The large decrease in liabilities from 2007 to 2008 is largely due to a decline in policies in-force, reflecting the closed block nature of the business and the large and high surrenders encountered in 2008, largely in the Conseco Life Insurance Company block of business. The decrease in premiums for 2008 was primarily attributed to run-off, a 2007 reserve transfer for a modco agreement recapture, and funds received for account value increment premiums in 2007 partially offset by a reserve transfers from the various transactions. The large decrease in net income in 2008 was primarily a result of the large increase in realized capital losses.

## MANAGEMENT AND CONTROL

### Directors

The Company's Bylaws provide that the business affairs of the Company are to be managed by a Board of Directors consisting of not less than five (5) members. The stockholder, at its annual meeting, elects the members of the Board of Directors. The following is a listing of persons serving as Directors at December 31, 2008:

| Name and Address | Principal Occupation |
| --- | --- |
| W. Weldon Wilson<br>Redding, CT | Chairman, Chief Executive Officer, and President<br>Swiss Re Life & Health America Inc. |
| Thomas Hyatte<br>Wilton, CT | Managing Director, General Counsel, and Assistant Secretary<br>Swiss Re Life & Health America Inc. |
| James Keller<br>Fort Wayne, IN | Senior Vice President<br>Swiss Re Life & Health America Inc. |
| Gary Nidds<br>Ridgewood, NJ | Managing Director<br>Swiss Re Life & Health America Inc. |
| David Richardson<br>Ridgefield, CT | Vice President<br>Swiss Re Life & Health America Inc. |
| Kenneth Stewart<br>Greenwich, CT | Managing Director<br>Swiss Re Life & Health America Inc. |
| Robyn Wyatt<br>Greenwich, CT | Chief Financial Officer<br>Swiss Re Life & Health America Inc. |

## Officers

The Company's Bylaws state the Board of Directors shall elect a Chairman of the Board, a President, and a Corporate Secretary. The Board of Directors may also elect a Chief Executive Officer, a Chief Financial Officer, one or more Managing Directors, one or more Vice Presidents, a Treasurer, and such other officers as required by law or as the Board shall from time to time deem necessary or desirable. Any number of offices may be held by the same person, except the offices of President and Corporate Secretary, provided that no person holding two such offices shall issue or execute any document acting in both capacities. The following is a list of key officers and their respective titles as of December 31, 2008:

| Name | Office |
| --- | --- |
| W. Weldon Wilson | Chairman and Chief Executive Officer |
| Kenneth Harold Stewart | President |
| Robyn Ann Jennifer Wyatt | Managing Director and Chief Financial Officer |
| Elissa Beth Rueben Kenny | Senior Vice President and Secretary |
| Robert Charles Read | Senior Vice President and Actuary |

## CONFLICT OF INTEREST

Directors, officers, and employees are required to review and sign Conflict of Interest statements annually. The officers and Directors listed in the management and control section of this report have reviewed and signed their statements as of year-end 2008.

## OATH OF OFFICE

IC 27-1-7-10(i) stipulates that every Director, when elected, shall take and subscribe to an oath stating that he or she will faithfully, honestly and diligently administer the affairs of the corporation and will not knowingly violate any of the laws applicable to such corporation. Each Director signed an Oath of Office statement in 2008.

## CORPORATE RECORDS

### Articles of Incorporation and Bylaws

Articles of Redomestication for VFL were approved by the IDOI on December 17, 2004. The only amendment to the Articles of Incorporation during the examination period was on September 27, 2007. Article 1 was amended to read as, "The name of the company is Reassure America Life Insurance Company."

### Minutes

The Board of Directors, Shareholder, and Audit Committee meeting minutes were reviewed for the period under examination through the fieldwork date and significant actions taken during each meeting were noted. It was noted that the annual meetings and other regular Board meetings were held in accordance with the Company's Bylaws.

## AFFILIATED COMPANIES

### Organizational Structure

The following organizational chart shows the upstream affiliates and its wholly-owned subsidiaries:

| | NAIC Co. Code | Domiciliary State |
|---|---|---|
| Swiss Reinsurance Company Ltd (Zurich) | | |
| SwissRe Holdings (Canada) Inc. | | |
| Swiss Re Life & Health Canada | | |
| Swiss Re America Holding Corporation | | DE |
| Milvus I Reassure Limited (Barbados) | | |
| VFL International Life company SPC, Ltd (Cayman Islands) | | |
| Swiss Re Life & Health America Holding Company | | DE |
| Mission Life Corporation | | DE |
| Mission Plans of America, Inc. | | TX |
| Fort Wayne Structured Settlement, Inc. | | NJ |
| FW (China) Inc. | | IN |
| LSL Financial Corporation | | TX |
| Fort Wayne Intermediaries, Inc. | | IN |
| Southwestern Life Holdings, Inc. | | DE |
| Old Fort Insurance Company, Ltd. (Bermuda) | | |
| Swiss Re Life & Health America Inc. (79%) | 82627 | CT |
| Rialto Re I Inc. | | VT |
| Special Pooled Risk Administrators, LLC | | DE |
| Atlantic International Company Ltd. (Barbados) | | |
| Servicios de Evaluacion de Riesgos (49%) (Mexico) | | |
| **Reassure America Life Insurance Company** | 70211 | IN |
| SL Distributors, Inc. | | CT |
| REALIC of Jacksonville Plans, Inc. | | TX |
| Aldgate Reinsurance Company Limited (Bermuda) | | |
| Allied Life Brokerage Agency, Inc. | | IA |
| Cincinnati Real Properties, Incorporated | | OH |

## Affiliated Agreements

The following is a summary of the Company's affiliated agreements and transactions that were disclosed as part of the Form B – Holding Company Registration Statement and were filed as required with the IDOI in accordance with IC 27-1-23-4 and IC 27-6-1.1-5.

### Investment Advisory Agreement

Effective April 30, 2004, the Company has an Investment Advisory Agreement with Swiss Re Financial Services Corporation (SRFSC), an affiliate, whereby SRFSC provides the Company with investment management and investment accounting services. The agreement was amended on August 31, 2006, allowing SRFSC to engage the services of non-affiliated sub-advisors to manage all or a part of the Company's portfolio of investments, and again on January 1, 2007, allowing SRFSC to engage the services of affiliated or non-affiliated sub-advisors to manage all or a part of the Company's portfolio of investments.. During 2008, the Company paid SRFSC $15,159,000 for services received under this agreement.

Securities Lending Agreement

Effective May 1, 2006, the Company has a Securities Lending Agreement with SRFSC whereby SRFSC performs certain securities lending services for the Company. During 2008, the Company paid SRFSC $302,000 for services received under this agreement.

Service Agreement

Effective October 1, 2006, the Company has a Service Agreement with SRLHA whereby SRLHA provides certain general management services to the Company, and the Company reimburses SRLHA for the cost of salaries and related benefits incurred by SRLHA on the Company's behalf. During 2008, the Company paid SRLHA $50,747,000 for services received under this agreement.

Expense Reimbursement Agreement

Effective May 14, 2003, the Company has an Expense Reimbursement Agreement with its wholly-owned subsidiary SL Distributors, Inc. (SLD) whereby the Company shall reimburse SLD for any and all expenses it incurs in connection with acting as underwriter for the Company's variable annuity and variable life insurance products, as required under federal securities law. During 2008, the Company reimbursed SLD $75,000 for services received under this agreement.

Underwriting Agreement

Effective August 22, 2003, the Company has an Underwriting Agreement with SLD whereby SLD is not compensated for the services it provides under this underwriting agreement provided that the Company maintains the Expense Reimbursement Agreement noted above. In 2008, no fees were paid by the Company for services received under this agreement.

Underwriting Agreement

Effective November 1, 2006, the Company has another Underwriting Agreement with SLD whereby the Company shall reimburse SLD for any and all expenses it incurs in connection with acting as an underwriter for the Company. In 2008, no fees were paid by the Company for services received under this agreement.

Portfolio Management Agreement

Effective December 15, 2005, the Company has a Portfolio Management Agreement with Conning Asset Management Company (Conning) whereby the Company pays Conning a fee for the performance of certain portfolio management services on Company's behalf. In 2008, Company paid $959,000 for services received under this agreement.

Tax Allocation Agreement

Effective December 1, 2004, the Company became a party to a tax allocation agreement between the Company, SRLHA, and affiliates Southwestern Life, and the former Reassure. The following affiliates have since been added to or removed from the Tax Allocation Agreement: Effective January 26, 2005, Aldgate was added; effective December 21, 2005, Atlantic International Reinsurance Company Ltd (Atlantic) was added; effective January 21, 2006, Sage Life was added; effective September 30, 2006, Sage Life was removed; effective December 28, 2006, Southwestern Life was removed; effective September 30, 2007, the former Reassure was removed; and effective January 1, 2008, Atlantic was removed. The agreement provides a method for allocating and paying the consolidated tax liability of the participants. At December 31, 2008 the Company recognized a payable of $5,147,000 to SRLHA under the agreement.

## FIDELITY BOND AND OTHER INSURANCE

The Company protects itself against loss from any fraudulent or dishonest acts by any employee through a fidelity bond issued by Vigilant Insurance Company. The bond has an aggregate coverage of $50,000,000 with a $1,000,000 deductible. The fidelity bond exceeds the prescribed minimum coverage specified by NAIC.

The Company had additional types of coverage in-force at December 31, 2008 including, but not limited to, management liability, Director's & officer's liability, employer's liability, fiduciary, general liability, property, and worker's compensation.

## STATUTORY AND SPECIAL DEPOSITS

The Company reported the following statutory deposits comprised of United States Treasury Notes and Bonds at December 31, 2008:

| State | Book Value | Fair Value |
|---|---|---|
| For all Policyholders: | | |
| Illinois | $7,465,529 | $8,632,651 |
| Indiana | $5,199,454 | $5,225,392 |
| Iowa | $55,439 | $82,775 |
| All Other Special Deposits: | | |
| Arkansas | 1,472,428 | 1,771,732 |
| California | 62,763 | 75,941 |
| Florida | 5,778,335 | 6,894,635 |
| Georgia | 459,166 | 528,274 |
| Massachusetts | 201,209 | 235,945 |
| Michigan | 3,821,377 | 4,629,752 |
| Nevada | 283,311 | 339,096 |
| New Mexico | 334,706 | 400,438 |
| North Carolina | 2,609,291 | 3,083,750 |
| Ohio | 5,125,630 | 5,983,886 |
| Oklahoma | 296,832 | 395,484 |
| Texas | 47,625,606 | 64,136,081 |
| Virginia | 1,146,602 | 1,334,583 |
| Guam | 211,492 | 211,492 |
| Canada | 7,764,939 | 8,131,201 |
| Total Deposits | $ 89,914,109 | $ 112,093,108 |

## REINSURANCE

### Assumed

The Company specializes in acquiring and running-off other insurance companies or large blocks of business acquired from other insurance companies. As such, the sole distinction between the Company's direct and assumed business is whether the Company also acquired the legal entity as well as the block of business. This approach to the acquisition and administration of run-off business is termed Admin Re® by Company management and represents their sole business model.

The traditional lines of distinction between direct and assumed reinsurance become somewhat blurred within the Company's Admin Re® model. Unlike most insurers, the primary distinction between direct and assumed business depends on whether the Company has acquired the business through purchases of life insurance companies and also through indemnity coinsurance or assumption reinsurance agreements with ceding insurers. If the legal entity is not acquired at the time of the initial transaction, the business will be reported as "assumed" through a series of indemnity coinsurance entries. The Company typically assumes responsibility for policy administration of business obtained. The policy administration is outsourced to TPA's All of the underlying policies are converted onto the Company's designated TPA's systems. In 2008, the Company reported assumed premiums and reserves totaling approximately $352 million and $8.8 billion, respectively.

The most financially significant assumed indemnity coinsurance transaction occurring during the current examination period involved a large block of business assumed from the Conseco Life Insurance Group in 2007. This transaction involved the initial assumption of policy reserves of approximately $2.9 billion. As of December 31, 2008, this transaction accounted for approximately $2.3 billion of the Company's reported assumed reserves.

Ceded

There are two primary classes of ceded reinsurance associated with the Company's business. The first involves external reinsurance cessions which were in place at the time of the acquisition of each block of business ("deals") by the Company. This block of external cessions accounted for $363 million of ceded premiums and $2.1 billion of externally ceded reserves in 2008. These cessions are widely diversified and are generally placed with companies rated "A-" or better by A.M. Best in 2008.

The second class of reinsurance ceded by the Company involves inter-company cessions with other Swiss Re affiliates. This second group of transactions is designed to provide retrocessional reinsurance support considered necessary by management to allow the Company to consummate the acquisition of their various business "deals". In this regard, the Company relies primarily on reinsurance support provided by the parent insurance Company, SRZ and other foreign affiliates, most notably Aldgate, to support the larger transactions it consummates. As such, most if not all of the business acquired by Admin Re® in larger transactions is wholly or substantially retroceded to a foreign affiliate company as part of the overall transaction strategy.

In 2008, all of this class of reinsurance ceded was made up of these inter-group retrocessions (IGR) placed with various members of the Swiss Re group. These involve large defined blocks of reinsurance which generally mirror specified blocks of acquired business. Following the transfer of business from European Reinsurance Ltd., Bermuda to SRZ via novation in 2007 the two primary reinsurers are SRZ and Aldgate. Each of these companies is regarded as an unauthorized reinsurer in Indiana and, accordingly, all cessions are collateralized by a combination of Funds Held, trust funds, and Letters of Credit.

Reinsurance ceded to SRZ accounted for $253 million of ceded premiums and $8.79 billion of ceded reserves in 2008. These transactions are supported by Funds Held totaling $8.8 billion, Letters of Credit of $200 million, and other miscellaneous balances due the reinsurer totaling $208.6 million as of December 31, 2008.

In addition, the Company ceded $107 million in premiums and $1.3 billion in reserve credits to Aldgate in 2008. As an unauthorized reinsurer these transactions are collateralized by a combination of Funds Held totaling $1.3 billion and other collateral consisting of miscellaneous credit balances due the reinsurer totaling $58.5 million as of December 31, 2008.

The Company had no other financially significant blocks of ceded reinsurance in force as of December 31, 2008.

## RESERVES

Robert C. Read, F.S.A., MA.A.A., and the Chief Actuary for the Company was appointed by resolution of the Board of Directors on September 27, 2000 to render an opinion on the statutory-basis reserves and policy and contract claims for life and health policies and contracts for the entire examination period.

The scope of the opinion was to examine the actuarial assumptions and actuarial methods used in determining the reserves and related actuarial items as shown in the Annual Statement of the Company, as prepared for filing with state regulatory officials as of December 31, 2008. The actuary made use of an asset adequacy analysis performed for the Company under his direction in forming his opinion as to the adequacy of reserves. Such analysis was based on liability data as of September 30, 2008, asset data as of September 30, 2008, and a model start date of September 30, 2008.

The 2008 opinion stated that the reserves and related actuarial items concerning the Annual Statement items: 1) are computed in accordance with presently accepted actuarial standards consistently applied and are fairly stated, 2) are based on actuarial assumptions which produce reserves at least as great as those called for in any contract provision as to reserve basis and method, 3) meet the requirements of the Insurance Law and regulation of the State of Indiana, are computed on the basis of assumptions consistent with those used in computing the corresponding items in the annual statement of the preceding year end, and 4) include provision for all actuarial reserves and related statement items which ought to be established.

During the examination, it was determined that the material actuarial items in the Annual Statement of the Company are materially correct and fairly stated in accordance with statutory accounting practices prescribed or permitted by the Commissioner of Insurance of the State of Indiana.

## ACCOUNTS AND RECORDS

The Company's accounting procedures, practices, account records, and supporting data were reviewed and tested to the extent deemed necessary. The trial balances prepared from the Company's general ledger for the years ended December 31, 2007 and 2008 were agreed to the respective Annual Statements. The Annual Statements for the years ended December 31, 2004 through December 31, 2008 were agreed to each year's independent audit report with no exceptions noted. The Company's accounting procedures, practices, and account records were satisfactory.

# REASSURE AMERICA LIFE INSURANCE COMPANY

## FINANCIAL STATEMENTS

### Assets

| | As of December 31, 2008 Per Annual Statement | Exam Adjustments | Per Examination | December 31, Prior Year |
|---|---|---|---|---|
| **Assets:** | | | | |
| Bonds | $ 11,127,692,115 | $ - | $ 11,127,692,115 | $ 12,300,115,242 |
| Stocks: | | | | |
| Preferred stocks | 249,178,526 | - | 249,178,526 | 243,168,954 |
| Common stocks | 263,995 | - | 263,995 | 113,529 |
| Mortgage loans on real estate: | | | | |
| First liens | 101,600,544 | - | 101,600,544 | 149,289,693 |
| Cash, cash equivalents and short-term investments | 351,068,207 | - | 351,068,207 | 508,132,766 |
| Contract loans | 3,115,591,858 | - | 3,115,591,858 | 2,993,614,270 |
| Other invested assets | 674,026,060 | - | 674,026,060 | 19,603,530 |
| Receivables for securities | 47,414,088 | - | 47,414,088 | 468,300 |
| Aggregate write-ins for invested assets | 5,139,493 | - | 5,139,493 | 3,171,180 |
| Subtotals, cash and invested assets | $ 15,671,974,886 | $ - | $ 15,671,974,886 | $ 16,217,677,464 |
| Investment income due and accrued | 215,211,673 | - | 215,211,673 | 228,852,946 |
| Premiums and considerations: | | | | |
| Uncollected premiums and agents' balances in course of collection | (150,129,865) | - | (150,129,865) | (155,162,119) |
| Deferred premiums, agents' balances and installments booked but deferred and not yet due | 33,954,715 | - | 33,954,715 | 36,313,382 |
| Reinsurance: | | | | |
| Amounts recoverable from reinsurers | 296,555,168 | - | 296,555,168 | 268,137,806 |
| Funds held by or deposited with reinsured companies | 869,667 | - | 869,667 | 12,769,661 |
| Other amounts receivable under reinsurance contracts | 184,360,693 | - | 184,360,693 | 1,311,388,586 |
| Net deferred tax asset | 53,560,552 | - | 53,560,552 | 54,752,845 |
| Guaranty funds receivable or on deposit | 523,361 | - | 523,361 | 1,319,386 |
| Net adjustment in assets and liabilities due to foreign exchange rates | 1,375,043 | - | 1,375,043 | 1,358,273 |
| Aggregate write-ins for other than invested assets | 1,575,511 | - | 1,575,511 | 1,563,356 |
| Total Assets, excluding Separate Accounts, Segregated Accounts and Protected Cell Account | $ 16,309,831,404 | $ - | $ 16,309,831,404 | $ 17,978,971,586 |
| From Separate Accounts, Segregated Accounts and Protected Cell Accounts | 160,464,012 | - | 160,464,012 | 298,002,927 |
| **Total Assets** | **$ 16,470,295,416** | **$ -** | **$ 16,470,295,416** | **$ 18,276,974,513** |

## REASSURE AMERICA LIFE INSURANCE COMPANY

## FINANCIAL STATEMENTS

### Liabilities, Surplus and Other Funds

| | As of December 31, 2008 | | | December 31, Prior Year |
|---|---|---|---|---|
| | Per Annual Statement | Exam Adjustments | Per Examination | |
| **Liabilities:** | | | | |
| Aggregate reserve for life contracts | $ 4,874,712,512 | $ - | $ 4,874,712,512 | $ 4,961,354,067 |
| Aggregate reserve for accident and health contracts | 4,717,590 | - | 4,717,590 | 4,540,617 |
| Liability for deposit-type contracts | 281,197,725 | - | 281,197,725 | 275,539,822 |
| Contract Claims: | | | | |
| Life | 101,269,301 | - | 101,269,301 | 93,887,545 |
| Accident and health | 384,653 | - | 384,653 | 324,018 |
| Policyholders' dividends and coupons due and unpaid | 706,552 | - | 706,552 | 800,902 |
| Provision for policyholder's dividends and coupons payable in following calendar year - estimated amounts: | | | | |
| Dividends apportioned for payment | 13,349,727 | - | 13,349,727 | 13,599,235 |
| Coupons and similar benefits | 97,691 | - | 97,691 | 104,595 |
| Premium & annuity considerations for life & accident & health contracts received in advance less discount, including accident & health premiums | 2,306,292 | - | 2,306,292 | 2,536,214 |
| Contract liabilities not included elsewhere: | | | | |
| Surrender values on canceled contracts | 951,788 | - | 951,788 | 624,119 |
| Other amounts payable on reinsurance, including assumed and ceded | 128,465,266 | - | 128,465,266 | 251,711,946 |
| Interest Maintenance Reserve | 23,894,898 | - | 23,894,898 | 95,593,600 |
| Commissions due to agents or accrued - life & annuity contracts, accident & health & deposit-type contract funds | 20,478,751 | - | 20,478,751 | 18,275,229 |
| Commissions and expense allowances payable on reinsurance assumed | 2,219,482 | - | 2,219,482 | 8,457,748 |
| General expenses due and accrued | 40,799,391 | - | 40,799,391 | 44,647,427 |
| Transfers to Separate Accounts due or accrued | (5,917,509) | - | (5,917,509) | (9,395,672) |
| Taxes, licenses, and fess due or accrued, excluding federal income taxes | 4,335,101 | - | 4,335,101 | 6,571,102 |
| Current federal and foreign income taxes, including on realized capital gains (losses) | 19,771,212 | - | 19,771,212 | 60,449,415 |
| Unearned investment income | 11,952,370 | - | 11,952,370 | 12,801,188 |
| Amounts withheld or retained by company as agent or trustee | 301,082 | - | 301,082 | 453,569 |
| Remittances and items not allocated | 24,291,699 | - | 24,291,699 | 37,960,542 |
| Liability for benefits for employees and agents if not included above | 6,733,785 | - | 6,733,785 | 6,669,548 |
| Borrowed money and interest thereon | 39,679,679 | - | 39,679,679 | 53,490,527 |
| Miscellaneous liabilities: | | | | |
| Asset valuation reserve | 2,813,371 | - | 2,813,371 | 62,604,545 |
| Reinsurance in unauthorized companies | 164,310 | - | 164,310 | 23,273 |
| Funds held under reinsurance treaties with unauthorized reinsurers | 10,129,894,274 | - | 10,129,894,274 | 11,440,922,804 |
| Payable to parent, subsidiaries and affiliates | 14,329,390 | - | 14,329,390 | 13,312,213 |
| Payable for securities | 23,025,705 | - | 23,025,705 | 4,221,316 |
| Aggregate write-ins for liabilities | 22,509,089 | - | 22,509,089 | 20,789,855 |
| Total Liabilities excluding Separate Accounts business | $ 15,789,435,176 | $ - | $ 15,789,435,176 | $ 17,482,871,309 |
| From Separate Accounts Statement | 160,464,012 | - | 160,464,012 | 298,002,927 |
| **Total Liabilities** | $ 15,949,899,188 | $ - | $ 15,949,899,188 | $ 17,780,874,236 |
| Common capital stock | $ 2,500,000 | $ - | $ 2,500,000 | $ 2,500,000 |
| Gross paid in & contributed surplus | 539,839,959 | - | 539,839,959 | 314,839,960 |
| Unassigned funds (surplus) | (21,943,731) | - | (21,943,731) | 178,760,317 |
| **Surplus** | 517,896,228 | - | 517,896,228 | 493,600,277 |
| **Capital and surplus, December 31, current year** | $ 520,396,228 | $ - | $ 520,396,228 | $ 496,100,277 |
| **Total liabilities, capital and surplus** | $ 16,470,295,416 | $ - | $ 16,470,295,416 | $ 18,276,974,513 |

# REASSURE AMERICA LIFE INSURANCE COMPANY

## FINANCIAL STATEMENTS

### Summary of Operations

| | As of December 31, 2008 | | | |
|---|---|---|---|---|
| | Per Annual Statement | Exam Adjustments | Per Examination | December 31, Prior Year |
| Premiums and annuity considerations for life & accident & health contracts | $ 439,696,384 | $ - | $ 439,696,384 | $ 495,134,685 |
| Considerations for supplementary contracts with life contingencies | 1,443,260 | - | 1,443,260 | 2,875,691 |
| Net investment income | 979,795,584 | - | 979,795,584 | 1,040,528,362 |
| Amortization of interest maintenance reserve | 2,697,783 | - | 2,697,783 | 14,435,906 |
| Commissions and expense allowances on reinsurance ceded | 190,233,467 | - | 190,233,467 | 224,144,812 |
| Reserve adjustments on reinsurance ceded | - | - | - | (62,457,652) |
| Miscellaneous income: | | | | |
| Income from fees associated with investment management, administration and contract guarantees from Separate Accounts | 1,285,911 | - | 1,285,911 | 1,339,158 |
| Aggregate write-ins for miscellaneous income | 14,340,895 | - | 14,340,895 | 143,265,186 |
| **Total** | **$ 1,629,493,283** | **$ -** | **$ 1,629,493,283** | **$ 1,859,266,148** |
| Death benefits | 511,460,950 | - | 511,460,950 | 481,804,560 |
| Matured endowments | 3,628,178 | - | 3,628,178 | 2,998,625 |
| Annuity benefits | 122,992,389 | - | 122,992,389 | 110,017,551 |
| Disability benefits and benefits under accident and health contracts | 1,097,825 | - | 1,097,825 | 2,588,173 |
| Coupons, guarantee annual pure endowments, and similar benefits | 122,758 | - | 122,758 | 196,304 |
| Surrender benefits and withdrawals for life contracts | 305,445,688 | - | 305,445,688 | 325,257,724 |
| Interest and adjustments on contract or deposit-type contract funds | 9,112,804 | - | 9,112,804 | 973,612 |
| Payments on supplementary contracts with life contingencies | 13,127,613 | - | 13,127,613 | 19,140,497 |
| Increase in aggregate reserves for life & accident & health contracts | (86,464,582) | - | (86,464,582) | (174,315,791) |
| Totals | $ 880,523,623 | $ - | $ 880,523,623 | $ 768,661,255 |
| Commissions on premiums, annuity considerations, and deposit-type contract funds | 25,169,854 | - | 25,169,854 | 30,641,696 |
| Commissions and expense allowances on reinsurance assumed | 107,655,599 | - | 107,655,599 | 31,554,986 |
| General insurance expenses | 135,381,159 | - | 135,381,159 | 147,155,101 |
| Insurance taxes, licenses and fees, excluding federal income taxes | 15,881,342 | - | 15,881,342 | 10,355,538 |
| Increase in loading on deferred and uncollected premiums | (2,781,441) | - | (2,781,441) | 4,453,714 |
| Net transfers to or (from) Separate Accounts net of reinsurance | (15,495,502) | - | (15,495,502) | (15,186,489) |
| Aggregate write-ins for deductions | 312,291,787 | - | 312,291,787 | 626,877,748 |
| **Totals** | **$ 1,458,626,419** | **$ -** | **$ 1,458,626,419** | **$ 1,604,513,549** |
| Net gain from operations before dividends to policyholders and before federal income taxes | $ 170,866,864 | $ - | $ 170,866,864 | $ 254,752,599 |
| Dividends to policyholders | 13,383,720 | - | 13,383,720 | 15,482,543 |
| Net gain from operations after dividends to policyholders and before federal income taxes | $ 157,483,144 | $ - | $ 157,483,144 | $ 239,270,056 |
| Federal and foreign income taxes incurred | 4,054,980 | - | 4,054,980 | 55,903,210 |
| Net gain from operations after dividends to policyholders and federal income taxes and before realized capital gains or (losses) | $ 153,428,164 | $ - | $ 153,428,164 | $ 183,366,846 |
| Net realized capital gains [losses] less capital gains tax | (203,626,488) | - | (203,626,488) | (15,490,830) |
| **Net income** | **$ (50,198,324)** | **$ -** | **$ (50,198,324)** | **$ 167,876,016** |
| **Capital and Surplus Account:** | | | | |
| Capital and surplus, December 31, prior year | $ 496,100,277 | $ - | $ 496,100,277 | $ 799,435,845 |
| Net income | $ (50,198,324) | $ - | $ (50,198,324) | $ 167,876,016 |
| Change in net unrealized capital gains [losses] less capital gains tax | (6,619,415) | - | (6,619,415) | 193,695 |
| Change in net unrealized foreign exchange capital gain (loss) | (1,349,971) | - | (1,349,971) | 649,259 |
| Change in net deferred income tax | 75,940,147 | - | 75,940,147 | 9,373,858 |
| Change in nonadmitted assets and related items | (78,886,704) | - | (78,886,704) | (7,489,799) |
| Change in liability for reinsurance in unauthorized companies | (141,036) | - | (141,036) | (1,586) |
| Change in asset valuation reserve | 59,791,174 | - | 59,791,174 | (1,454,559) |
| Surplus Adjustment: | | | | |
| Paid in | 225,000,000 | - | 225,000,000 | (228,001,685) |
| Change in surplus as a result of reinsurance | (79,239,920) | - | (79,239,920) | (73,482,452) |
| Dividends to stockholders | (120,000,000) | - | (120,000,000) | (170,998,315) |
| **Net change in capital and surplus for the year** | **$ 24,295,951** | **$ -** | **$ 24,295,951** | **$ (303,335,568)** |
| **Capital and surplus, December 31, current year** | **$ 520,396,228** | **$ -** | **$ 520,396,228** | **$ 496,100,277** |

## COMMENTS ON THE FINANCIAL STATEMENTS

There were no recommended adjustments to surplus as of December 31, 2008 based on the results of this examination.

## SUBSEQUENT EVENTS

There were no events subsequent to the examination date and prior to the completion of fieldwork that were considered to have a material effect on the financial statements of the Company. However, there were several events requiring disclosure in this Report of Examination.

In December 2009, Chairman and Chief Executive Officer W. Weldon Wilson resigned from his position. As of the examination date, Mr. Wilson has remained unemployed, but could potentially join a competitor company. Upon Mr. Wilson's departure, Kenneth Stewart (then President) became the interim CEO. In March 2010, Mr. Stewart resigned from his position and joined a competitor company. Immediately upon Mr. Stewart's resignation, Donna Kinnaird was named the interim Chief Executive Officer. The Company does not believe that the departures of Wilson and Stewart will have a negative effect on the Company's business.

In May 2010, the Board of Directors of the Company was fully replaced, with the exception of the Indiana resident Director. The new Board is composed of members of SRZ's senior management and additional external Directors. This change brings the Company into consistency with all other SRZ subsidiaries and appears to further strengthen the governance of the Company.

## MANAGEMENT REPRESENTATION

In support of contingencies and accuracy of information provided during the course of the examination, the Examiners obtained a management representation letter in the standard NAIC format. This letter was executed by key financial personnel of the Company and provided to the IDOI.

## CONCLUSION

The preceding report of examination of **Reassure America Life Insurance Company** as of December 31, 2008 reflects its financial condition in accordance with the National Association of Insurance Commissioners Accounting Practices and Procedures Manual and any and all prescribed and permitted accounting practices of the Indiana Department of Insurance. An Affidavit of the Examiner-in-Charge, Daniel McBay, CFE, of Noble Consulting Services, Inc. is on file with the Indiana Department of Insurance and attests that the examination was performed in a manner consistent with the standards and procedures required by the Indiana Department of Insurance and the National Association of Insurance Commissioners Financial Condition Examiners Handbook. Based on my review, to the best of my knowledge, the examination was performed in a manner consistent with those standards and procedures and properly reflects the financial condition of **Reassure America Life Insurance Company.**

**Alan T. Griffieth, CFE**
**Examinations Manager**
**Indiana Department of Insurance**